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TO ALL NATO CAPITALS

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TAGS: MCAP, NATO

SUBJECT: JACKSON-NUNN AMENDMENT ON OFFSETS

REF: USNATO 6370 (NOTAL)

ON NOVEMBER 17 THE PRESIDENT SUBMITTED A REPORT TO THE
CONGRESS ON IMPLEMENTATION OF THE JACKSON-NUNN AMENDMENT
ON OFFSETS, TEXT FOLLOWS:

BEGIN TEXT

TO THE CONGRESS OF THE UNITED STATES:

IN ACCORDANCE WITH SECTION 812(D) OF THE DEPARTMENT

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OF DEFENSE APPROPRIATION AUTHORIZATION ACT, 1974 (PUBLIC
LAW 93-155), I AM PLEASED TO SUBMIT A REPORT TO THE

CONGRESS ON OUR FURTHER PROGRESS TOWARD OFFSETTING THE BALANCE OF PAYMENTS DEFICIT RESULTING FROM THE DEPLOYMENT OF U.S. FORCES IN NATO EUROPE.

I AM NOW ABLE TO PROVIDE YOU WITH FIGURES FOR U.S. EXPENDITURES IN NATO EUROPE DURING FISCAL YEAR 1974. THESE FIGURES WERE COMPILED BY THE DEPARTMENT OF COMMERCE IN CONSULTATION WITH THE DEPARTMENT OF DEFENSE AND THE GENERAL ACCOUNTING OFFICE. THEY INDICATE THAT IN FY 74 THE EXPENDITURES RESULTING FROM THE DEPLOYMENT OF U.S.

FORCES IN FULFILLMENT OF OUR NATO COMMITMENTS AND OBLIGATIONS AMOUNTED TO DOLLARS 1,983 MILLION (INCLUDING PRELIMINARY FOURTH QUARTER DATA SUBJECT TO REVISION). ATTACHED TO THIS REPORT IS AN APPENDIX SHOWING HOW THIS FIGURE WAS DERIVED AND WHAT ADJUSTMENTS WERE MADE TO CONFORM OUR NORMAL EXPENDITURE DATA TO THE LETTER AND INTENT OF SECTION 812. MINOR CHANGES IN THIS DATA MAY OCCUR AS FINAL QUARTER FISCAL YEAR 1974 FIGURES ARE CONFIRMED DURING THE NEXT FEW WEEKS.

AS PRESIDENT NIXON REPORTED TO THE CONGRESS ON MAY 16, 1974, THE OFFSET AGREEMENT CONCLUDED IN APRIL 1974 WITH THE FEDERAL REPUBLIC OF GERMANY HAD A DOLLAR VALUE OF APPROXIMATELY DOLLARS 2.22 BILLION OVER FISCAL YEARS 1974 AND 1975. OF THAT AMOUNT, THE FISCAL YEAR 1974 PORTION, APPROXIMATING DOLLARS 1.1 BILLION, WILL BE DIRECTLY APPLICABLE TOWARD MEETING THE REQUIREMENTS OF SECTION 812, LEAVING APPROXIMATELY DOLLARS 883 MILLION TO BE OFFSET BY OUR OTHER EUROPEAN NATO ALLIES.

AS I NOTED IN MY REPORT OF AUGUST 20, 1974, THE NATO ECONOMIC DIRECTORATE, AT THE DIRECTION OF THE NORTH ATLANTIC COUNCIL, HAS ESTABLISHED A MECHANISM FOR IDENTIFYING ALLIED PURCHASES OF MILITARY-RELATED ITEMS FROM THE UNITED STATES. THIS WAS AN ESSENTIAL STEP TO ENABLE US TO COMPLY WITH THE REQUIREMENTS OF SECTION 812. REPRESENTATIVES OF THE ECONOMIC DIRECTORATE CONSULTED IN WASHINGTON ON OCTOBER 21-22 WITH THE UNCLASSIFIED UNCLASSIFIED

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DEPARTMENTS OF STATE, COMMERCE AND DEFENSE AND REPORTED THAT APPROXIMATELY DOLLARS 1,050 MILLION IN PURCHASES BY ALLIES OTHER THAN THE FEDERAL REPUBLIC OF GERMANY HAVE BEEN IDENTIFIED.

THE DEPARTMENTS OF COMMERCE AND DEFENSE HAVE SOUGHT TO CONFIRM THIS FIGURE BY EXAMINING THE U.S. BALANCE OF PAYMENTS ACCOUNTS AND RECORDS IN AN EFFORT TO IDENTIFY BALANCE OF PAYMENTS RECEIPTS REFLECTING MILITARY-RELATED SALES AND EXPORTS TO OUR EUROPEAN NATO ALLIES,

ON BOTH A GOVERNMENT-TO-GOVERNMENT AND COMMERCIAL CATEGORY BASIS. HOWEVER, THIS DATA IS STILL INCOMPLETE AND THE U.S. ACCOUNTING SYSTEM IN MANY CASES IS TOO AGGREGATED TO IDENTIFY ALL OF THE SPECIFIC PURCHASES AND PAYMENTS MADE BY THE EUROPEAN MEMBERS OF NATO. FOR

THIS REASON OUR CALCULATION OF THE FINAL OFFSET TOTAL WILL TAKE INTO ACCOUNT THE INFORMATION BEING PROVIDED THROUGH THE NATO ECONOMIC DIRECTORATE BY OUR EUROPEAN NATO ALLIES. ON THE BASIS OF THE FOREGOING, I CONTINUE TO EXPECT THAT THE REQUIREMENTS OF SECTION 812 WILL BE MET.

GERALD R. FORD

THE WHITE HOUSE
NOVEMBER 17, 1974

-- APPENDIX

A. U.S. DEFENSE EXPENDITURES ENTERING THE INTERNATIONAL BALANCE OF PAYMENTS IN NATO EUROPE DURING FISCAL YEAR 1974. (IN MILLIONS OF DOLLARS):

PERSONAL EXPENDITURES BY US	815
MILITARY AND CIVILIAN PERSONNEL	
AND THEIR DEPENDENTS	

PAYMENTS TO FOREIGN NATIONALS	561
FOR DIRECT AND CONTRACT HIRE	

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MAJOR EQUIPMENT PURCHASED IN	81
NATO EUROPE	

CONSTRUCTION	75
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NATO INFRASTRUCTURE SYSTEM PAYMENTS	76
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PETROLEUM PRODUCTS (INCLUDES COST	137
OF CRUDE OIL IMPORTED INTO EUROPE)	

MATERIALS AND SUPPLIES	148
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PAYMENTS TO US AND FOREIGN CONTRACTORS	444
FOR CONTRACTUAL SERVICES	

ALL OTHER PAYMENTS (NET)	66
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TOTAL FOR FISCAL YEAR 1974 (PRELIMINARY)	2,403
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B. DEDUCTIONS MADE PURSUANT TO SECTION 812 FOR EXPENDITURES NOT RESULTING FROM THE DEPLOYMENT OF US FORCES IN FULFILLMENT OF OUR NATO COMMITMENTS AND OBLIGATIONS (IN MILLIONS OF DOLLARS):

EXPENDITURES FOR US ACTIVITIES 279
NOT RELATED TO NATO SUCH AS US
STRATEGIC FORCES IN NATO COUNTRIES

MAJOR EQUIPMENT PURCHASED IN NATO 81
EUROPE AND IMPORTED INTO THE US AND
UNRELATED TO US TROOP DEPLOYMENTS IN
EUROPE

EXPENDITURES IN NATO EUROPE FOR THE 60
AFLOAT OPERATIONS OF THE SIXTH FLEET
FOR US STRATEGIC PURPOSES

TOTAL FOR FISCAL YEAR 1974 (PRELIMINARY) 420

C. EXPENDITURES LESS DEDUCTIONS: 1,983

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